

# FISCAL NOTE

**Bill #:** HB0657

**Title:** Revise allocation of use of tobacco tax for smoking cessation program

**Primary Sponsor:** Maedje, R.

**Status:** As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

## Fiscal Summary

	<b><u>FY 2006 Difference</u></b>	<b><u>FY 2007 Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$54,085	\$44,639
State Special Revenue	\$3,680,000	\$3,551,000
<b>Revenue:</b>		
General Fund	(\$3,680,000)	(\$3,551,000)
State Special Revenue	\$3,680,000	\$3,551,000
<b>Net Impact on General Fund Balance:</b>	<b>(\$3,734,785)</b>	<b>(\$3,596,339)</b>

- |   |   |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact    | <input checked="" type="checkbox"/> Technical Concerns            |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached  | <input checked="" type="checkbox"/> Needs to be included in HB 2  |

## Fiscal Analysis

### ASSUMPTIONS:

#### **Department of Revenue**

1. The proposal is effective on July 1, 2005. It will impact FY 2006 revenue deposited into the state general fund.
2. Under current law, cigarette taxes are distributed as follows: 8.3 percent for maintenance of the state's veterans home; 2.6 percent to the long-range building program; 44 percent for the health and Medicaid initiatives account; and the balance (45.1 percent) is deposited in the state general fund. In FY 2006 the state general fund will receive \$33,193,000 (HJR2) and in FY 2007 it will receive \$32,030,000 (HJR2).
3. Under current law, the state and three (3) of Montana's Native American Tribes have entered into revenue sharing agreements. The revenue sharing agreements distribute a portion of total cigarette tax collections to the various tribes per the terms of the agreements.
4. Under the proposal, a new state special revenue account (SSRA) is created. The new SSRA will be used to fund smoking cessation programs. Funding of the SSRA will be provided by depositing 5 percent of total cigarette tax collections into the account.

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5. Under the proposal, the state general fund will receive 40.1 percent of cigarette tax collections. All other distributions are unchanged.
6. Under the proposal, in FY 2006 the state general fund will receive \$29,513,000 ( $\$33,193,000 \times 40.1$  percent /45.1 percent), a reduction of \$3,680,000 from current law. In FY 2007 the state general fund will receive \$28,479,000 ( $\$32,030,000 \times 40.1$  percent /45.1 percent), a reduction of \$3,551,000 from current law.
7. Under the proposal the SSRA for smoking cessation programs will receive the amount by which the general fund revenue is reduced, or \$3,680,000 in FY 2006 and \$3,551,000 in FY 2007.
8. The department does not anticipate any additional administrative expense due to the proposal.

### **Department of Public Health and Human Services**

#### **Public Health and Safety Division:**

9. Based on Department of Revenue information the following amounts will be deposited in a state special revenue account.
  - a. FY 2006: \$3,680,000.
  - b. FY 2007: \$3,551,000
10. There are 52 county health boards in Montana. The department assumes each county health board will determine their own method of how smoking cessation counseling will be provided to individual participants, but will follow state guidelines and standards which will be furnished to them in advance.
11. It is assumed that DPHHS will need 1.00 FTE grade 15 program manager to administer the smoking cessation program at a cost of \$41,889 annually.
12. Operating costs are estimated at \$6,446 for FY 2006 and include the following:
  - a. Office equipment package \$1,793.
  - b. Computer package \$1,203.
  - c. Rent and supplies \$1,750.
  - d. Long distance phone \$600.
  - e. Printing and graphics for biannual reports \$1,000.
  - f. Mailing of biannual reports \$100.
13. Operating costs are estimated at \$3,450 for FY 2007 and include the following:
  - a. Rent and supplies \$1,750.
  - b. Long distance phone \$600.
  - c. Printing and graphics for biannual reports \$1,000.
  - d. Mailing of biannual reports \$100.
14. The department assumes operational costs in this bill will be supported with general fund (see technical note # 1).

#### **Director's Office:**

15. Section 7 of this legislation requires that administrative rules be written. The department assumes this will be completed in FY 2006.
16. The DPHHS will contract with the Department of Justice to develop and write these rules. The Department of Justice charges \$75 per hour for legal services.
17. It is estimated that it will take 70 hours to develop and write the administrative rules associated with this legislation for a total cost of \$5,250 ( $\$75 \times 70$  hours).
18. Proposed and adopted rules will be published by the Secretary of State in the Administrative Rules of Montana (ARM). The Secretary of State charges \$40 per page for printing in ARM.
19. It is estimated that rule changes associated with this legislation will be approximately 30 pages. Total estimated cost for printing of rules related to this legislation is \$1,200 ( $\$40 \times 30$  pages).
20. The department assumes operational costs in this bill will be supported with general fund (see technical note # 1).

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**FISCAL IMPACT:**

**Department of Public Health and Human Services**

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
FTE	1.00	1.00
<u>Expenditures:</u>		
Personal Services	\$41,889	\$41,889
Operating Expenses	\$12,896	\$3,450
Transfers	<u>\$3,680,000</u>	<u>\$3,551,000</u>
TOTAL	\$3,734,785	\$3,596,339
<u>Funding of Expenditures:</u>		
General Fund (01)	\$54,735	\$45,339
State Special Revenue (02)	<u>\$3,680,000</u>	<u>\$3,551,000</u>
TOTAL	\$3,734,785	\$3,596,339

**Department of Revenue**

Revenues:

General Fund (01)	(\$3,680,000)	(\$3,551,000)
State Special Revenue –Smoking Cessation	\$3,680,000	\$3,551,000
Federal Special Revenue (03)		
Other		

**Total**

Expenditures:

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Funding of Expenditures:

General Fund (01)	\$54,735	\$45,339
State Special Revenue (02)	<u>\$3,680,000</u>	<u>\$3,551,000</u>
TOTAL	\$3,734,785	\$3,596,339

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$3,734,000)	(\$3,596,339)
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**TECHNICAL NOTES:**

1. Section 2 (2) states that “money in the account may be used only for the purposes of the smoking cessation program.” This could be interpreted to include administrative costs related to the program

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provided for in the bill. Section 2 (4) states in part “the department shall allocate to count boards of health all of the fiscal year funding appropriated for the program.” This appears to exclude the funding of administrative costs related to the program. This fiscal note is written assuming that the state special revenue account will not pay the administrative costs.

2. This bill requires, in section 2(5), the department to furnish a list to the counties of the 10 most successful products for smoking cessation. There are only eight common products currently on the market: Patches, gums, inhalers, nasal spray, lozenges, and 3 prescription medications (bupropion, clonidine, and nortriptylene).
3. Section 2(8) states, “county boards of health shall...annually provide smoking cessation counseling to persons in the county who smoke.” Current smoking cessation statistical data provided by the Center for Disease and Control (CDC) show that annual counseling to be less effective than multiple counseling sessions. If the bill is interpreted as multiple sessions are offered annually, but participants may only attend once annually, the language should be modified accordingly, and “shall” should be replaced with “shall offer”.

### **LONG-RANGE IMPACTS:**

The proposal will reduce general fund revenues by about \$3.5 million each year for the foreseeable future.